

# Tampa Bay Times

## Two private insurers to offer flood insurance in Florida



Jeff Harrington, Times Staff Writer

Friday, October 25, 2013 11:57am

---

Two insurance companies have surfaced to offer cheaper flood insurance alternatives to some property owners hit by spiking rates under the National Flood Insurance Program.

Homeowners Choice Property & Casualty Insurance Co. and the Flood Insurance Agency both aim to be selective at first in accepting new customers. However, each promises to be a bargain, comparatively speaking.

"Our goal here ... is to have these homeowners pay similarly priced rates to what they were paying before Biggert-Waters," said Homeowners Choice vice president Kevin Mitchell, referring to the 2012 law causing some sharply higher rates.

The Biggert-Waters Flood Insurance Reform Act calls for stabilizing the national flood program by eliminating subsidies that have benefited owners of older homes in flood zones. In some cases, the subsidies are being phased out gradually with annual rate increases near 20 percent.

In certain instances, such as the sale of a property or a lapsed policy, the subsidy is being eliminated immediately, beginning with renewals this month. That has triggered complaints from some homeowners who have seen their annual flood insurance premiums spike from the \$2,000 range to \$14,000 or more.

While Florida's congressional delegation pushes for a legislative fix, Florida Insurance Commissioner Kevin McCarty has been trying to induce private insurers to write flood policies.

The two private companies stepping up so far are taking different approaches.

Tampa-based Homeowners Choice, a publicly traded company with about 140,000 policyholders statewide, wants to add an endorsement to its homeowners policies to include flood coverage.

State regulators must first approve its application.

"We want our policyholders to know they are of critical importance to us and key to our decision to offer flood insurance," said Paresh Patel, chairman and chief executive officer of the insurer's parent company, HCI Group. "While we cannot provide a solution to all of Florida, we can — and will — try to help our policyholders hit hardest by hefty rate increases under the National Flood Insurance Program. We plan to enter the market cautiously and focus, as we always have, on our strict underwriting guidelines and calculated risk management."

The Flood Insurance Agency, a Gainesville-based firm, likewise says it could save customers thousands of dollars compared with National Flood Insurance Program premiums for those who have lost their subsidies.

Its online rate charts show that \$200,000 worth of building coverage in a gulf coastal area would cost \$2,970; \$250,000 worth of coverage would cost \$3,713. Those rates are based on customers' paying a \$5,000 deductible.

Since launching the program statewide Wednesday, the company has fielded roughly 150 phone calls from potential customers and independent agents seeking to market its policies, chief executive officer Evan Hecht said.

The agency is technically acting as exclusive administrator for a program backed by insurance giant Lloyd's of London, giving it a strong financial footing.

The offer is not without risks, however. As a surplus-lines carrier, Hecht's company is not overseen by state insurance regulators and does not need state approval for rate changes.

Unlike with state-regulated insurers, there is no government backstop for surplus carriers to make sure property claims are covered. In other words, if the firm went bankrupt, there is no guarantee claims would be paid. With top-rated Lloyd's backing the program, however, Hecht dismisses that risk.

Policies are being marketed as Lloyd's Private Flood via the website [www.lloydsprivateflood.com](http://www.lloydsprivateflood.com).

Hecht said his goal is not to replace the Federal Emergency Management Agency but just target "a subset of a subset" of hardest-hit homeowners with a flat-rate cost. Homes that have had a prior loss and commercial properties, at least initially, will not be covered.

Within a month, he aims to start a second, more expansive program available to hundreds of thousands of Floridians who are not considered high flood risks.

**Two private insurers to offer flood insurance in Florida 10/25/13**

---